

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Hampton	County Bay
Fiscal Year End December 31, 2007	Opinion Date January 25, 2008	Date Audit Report Submitted to State January 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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11  
>

☒ ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9-10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-21
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	22-23
Budgetary Comparison Schedule – Downtown Development Authority Fund	24
Other Supporting Information:	
General Fund Revenues by Detailed Account	25
General Fund Expenditures by Detailed Account	26-31
Combining Balance Sheet – All Nonmajor Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Funds	33
Combining Balance Sheet – All Agency Funds	34
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	35
Current Tax Collection Fund Schedule of Cash Receipts and Disbursements	36
Agency Fund Schedule of Cash Receipts and Disbursements	37

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

January 25, 2008

To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Hampton, Bay County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Hampton, Bay County, Michigan as of December 31, 2007, and the respective changes in financial position, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2007

The Management's Discussion and Analysis report for the Charter Township of Hampton covers the Township's financial performance during the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained approximately the same over the last year. Net assets at December 31, 2007 totaled \$4,195,336.85 for all funds. Overall total net assets increased by \$333,888.65 for the year 2007.

General Fund revenues were \$4,311,520.08 and General Fund expenditures were \$4,136,157.55.

Taxable value was \$443,301,732.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenditures regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF HAMPTON

Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE  
FINANCIAL INFORMATION – CONDENSED FINANCIAL INFORMATION**

December 31, 2007

	<u>Total Governmental Activities 2006</u>	<u>Total Governmental Activities 2007</u>
Current Assets	5 787 468 58	6 074 455 50
Capital Assets	<u>2 636 256 66</u>	<u>3 625 749 68</u>
Total Assets	<u>8 423 725 24</u>	<u>9 700 205 18</u>
Current Liabilities	3 412 801 34	3 522 172 03
Non-current Liabilities	<u>1 149 475 70</u>	<u>1 982 696 30</u>
Total Liabilities	4 562 277 04	5 504 868 33
Net Assets:		
Invested in Capital Assets	2 636 256 66	2 796 113 09
Reserved	970 184 02	890 228 86
Unrestricted	<u>255 007 52</u>	<u>508 994 90</u>
Total Net Assets	<u>3 861 448 20</u>	<u>4 195 336 85</u>
	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2007</u>
Program Revenues:		
Fees and Charges for services	724 493 70	1 071 292 99
Operating Grants and Contributions	111 438 79	2 717 21
General Revenues:		
Property Taxes	2 724 594 35	2 820 775 58
State Revenue Sharing	771 921 64	744 613 41
Interest	172 674 52	230 881 12
Miscellaneous	<u>76 817 48</u>	<u>33 848 34</u>
Total Revenues	<u>4 581 940 48</u>	<u>4 904 128 65</u>
Program Expenses:		
General Government and Administration	703 671 15	719 677 21
Public Safety	1 765 042 39	1 816 871 64
Public Works	1 300 485 54	1 456 555 86
Recreation and Culture	154 624 73	176 175 61
Other	341 600 72	363 925 37
Interest on long-term debt	<u>119 75</u>	<u>37 034 31</u>
Total Expenses	<u>4 265 544 28</u>	<u>4 570 240 00</u>
Increase in Net Assets	316 396 20	333 888 65
Net Assets, January 1	<u>3 545 052 00</u>	<u>3 861 448 20</u>
Net Assets, December 31	<u>3 861 448 20</u>	<u>4 195 336 85</u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has Governmental Funds. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township blacktopped three (3) miles of roadway as well as chip and sealing another two (2) miles at a cost of \$239,017.00 with a specially voted millage. The Township recognized a \$30,000.00 state grant for the development of an additional ½ mile of our Nature Trail. The Township continued to upgrade our campground at Finn Road Park by installing utilities for twelve (12) additional sites with six (6) of those sites made available during the 2007 camping season. The Township also built a barge & push boat at a cost of \$21,225.00 saving a substantial amount of money over purchasing these pieces of equipment and giving the Township the ability to dredge and maintain the channel at Finn Road Park. With the exception of the roads, these things were done with general fund monies.

The Township completed a two and one half (2 ½) mile beautification project along Center Avenue (M-25) with our Downtown Development District with the help of \$860,000.00 in General Obligation Limited Tax Bonds and Downtown Development funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township services with the exception of the blacktopping of the roads. The most significant costs to the Township are the Department of Public Works (which consists of our parks, landfill, water and sewer departments), the Police Department and the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$1,131,884.74 in capital assets.

The Township's governmental activities sold \$860,000.00 of new bonds and paid off \$30,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is much clouded and it represents a significant portion of our income. We continue to grow in taxable value.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Township Treasurer or Township Clerk at 989-893-7541 or e-mail us through our website at [www.hamptontownship.org](http://www.hamptontownship.org).

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 256 378 91
Cash on hand	715 00
Investments	2 178 762 13
Taxes receivable	2 405 020 54
Accounts receivable	<u>233 578 92</u>
Total Current Assets	<u>6 074 455 50</u>
NON-CURRENT ASSETS:	
Capital Assets	6 530 030 55
Less: Accumulated Depreciation	<u>(2 904 280 87)</u>
Total Non-current Assets	<u>3 625 749 68</u>
TOTAL ASSETS	<u>9 700 205 18</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	545 771 93
Deposits	18 577 20
Deferred revenue	<u>2 957 822 90</u>
Total Current Liabilities	<u>3 522 172 03</u>
NON-CURRENT LIABILITIES:	
Bonds payable	1 805 000 00
Accrued compensated absences	<u>177 696 30</u>
Total Non-current Liabilities	<u>1 982 696 30</u>
Total Liabilities	<u>5 504 868 33</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2 796 113 09
Reserved	890 228 86
Unrestricted	<u>508 994 90</u>
Total Net Assets	<u>4 195 336 85</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9 700 205 18</u>

See accompanying notes and accountant's report.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended December 31, 2007

		Program Revenue		Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	79 415 56	-	-	(79 415 56)
General government	640 261 65	96 243 37	-	(544 018 28)
Public safety	1 816 871 64	101 847 60	2 717 21	(1 712 306 83)
Public works	1 456 555 86	792 833 52	-	(663 722 34)
Recreation and culture	176 175 61	80 368 50	-	(95 807 11)
Other	363 925 37	-	-	(363 925 37)
Interest on long-term debt	37 034 31	-	-	(37 034 31)
<b>Total Governmental Activities</b>	<u>4 570 240 00</u>	<u>1 071 292 99</u>	<u>2 717 21</u>	<u>(3 496 229 80)</u>
<b>General Revenues:</b>				
Property taxes				2 820 775 58
State revenue sharing				744 613 41
Interest				230 881 12
Miscellaneous				33 848 34
<b>Total General Revenues</b>				<u>3 830 118 45</u>
<b>Change in net assets</b>				333 888 65
<b>Net assets, beginning of year</b>				<u>3 861 448 20</u>
<b>Net Assets, End of Year</b>				<u>4 195 336 85</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
December 31, 2007

	<u>General</u>	<u>Downtown Development Authority</u>	<u>G.O. Limited Tax Bond Construction</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	1 133 296 67	119 078 14	-	-
Cash on hand	715 00	-	-	-
Investments	422 599 82	168 339 61	829 636 59	409 265 52
Accounts receivable	233 578 92	-	-	-
Due from other funds	<u>2 517 565 00</u>	<u>100 349 42</u>	<u>-</u>	<u>295 634 36</u>
Total Assets	<u>4 307 755 41</u>	<u>387 767 17</u>	<u>829 636 59</u>	<u>704 899 88</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	545 771 93	-	-	-
Deposits	18 577 20	-	-	-
Due to other funds	-	-	2 184 07	153 419 48
Deferred revenue – water	49 231 45	-	-	-
Deferred revenue – property taxes	<u>2 467 077 30</u>	<u>147 963 86</u>	<u>-</u>	<u>293 550 29</u>
Total liabilities	<u>3 080 657 88</u>	<u>147 963 86</u>	<u>2 184 07</u>	<u>446 969 77</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	62 776 34
Reserved for construction	-	-	827 452 52	-
Unreserved:				
Undesignated	<u>1 227 097 53</u>	<u>239 803 31</u>	<u>-</u>	<u>195 153 77</u>
Total fund equity	<u>1 227 097 53</u>	<u>239 803 31</u>	<u>827 452 52</u>	<u>257 930 11</u>
Total Liabilities and Fund Equity	<u>4 307 755 41</u>	<u>387 767 17</u>	<u>829 636 59</u>	<u>704 899 88</u>

See accompanying notes and accountant's report.

Total

1 252 374 81

715 00

1 829 841 54

233 578 92

2 913 548 78

6 230 059 05

545 771 93

18 577 20

155 603 55

49 231 45

2 908 591 45

3 677 775 58

62 776 34

827 452 52

1 662 054 61

2 552 283 47

6 230 059 05

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 552 283 47
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	6 530 030 55
Accumulated depreciation	(2 904 280 87)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(1 805 000 00)
Accrued compensated absences	<u>(177 696 30)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>4 195 336 85</u></u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS

Year ended December 31, 2007

	<u>General</u>	<u>Downtown Development Authority</u>	<u>G.O. Limited Tax Bond Construction</u>	<u>Other Funds</u>
Revenues:				
Property taxes	2 409 270 14	125 482 14	-	286 023 30
Licenses and permits	96 243 37	-	-	101 847 60
Federal grant	2 717 21	-	-	-
State revenue sharing	744 613 41	-	-	-
Charges for services	792 833 52	-	-	-
Interest	151 625 59	13 635 80	46 914 03	18 705 70
Miscellaneous	114 216 84	-	-	-
Total revenues	<u>4 311 520 08</u>	<u>139 117 94</u>	<u>46 914 03</u>	<u>406 576 60</u>
Expenditures:				
Legislative:				
Township Board	79 415 56	-	-	-
General government:				
Supervisor	65 671 19	-	-	-
Elections	4 341 46	-	-	-
Accounting department	166 656 18	-	-	-
Assessor	150 470 36	-	-	-
Attorney	20 137 53	-	-	-
Consultant	9 908 44	-	-	-
Clerk	69 279 62	-	-	-
Geographic information system	3 479 80	-	-	-
Board of Review	1 414 24	-	-	-
Treasurer	78 315 41	-	-	-
Township hall and grounds	25 930 34	-	-	-
Citizens community building	17 452 06	-	-	-
Public relations	5 464 99	-	-	-
Public safety:				
Police department	932 164 67	-	-	-
Fire department	748 754 42	-	-	-
Building inspection	-	-	-	57 588 23
Planning Commission	7 637 81	-	-	-
Board of Appeals	2 877 51	-	-	-
Public works:				
Department of Public Works	608 666 74	-	-	-
Drains	1 260 23	-	-	-
Highways and streets	10 644 57	-	-	239 016 62
Street lighting	100 941 66	-	-	-
Sanitation	121 685 01	-	-	-
Sewer	162 209 15	-	-	-
Water	179 968 42	-	-	-

See accompanying notes and accountant's report.

Total

2 820 775 58  
198 090 97  
2 717 21  
744 613 41  
792 833 52  
230 881 12  
114 216 84

4 904 128 65

79 415 56

65 671 19  
4 341 46  
166 656 18  
150 470 36  
20 137 53  
9 908 44  
69 279 62  
3 479 80  
1 414 24  
78 315 41  
25 930 34  
17 452 06  
5 464 99

932 164 67  
748 754 42  
57 588 23  
7 637 81  
2 877 51

608 666 74  
1 260 23  
249 661 19  
100 941 66  
121 685 01  
162 209 15  
179 968 42

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended December 31, 2007

	<u>General</u>	<u>Downtown Development Authority</u>	<u>G.O. Limited Tax Bond Construction</u>	<u>Other Funds</u>
Recreation and culture:				
Recreation – parks	114 549 81	-	-	-
Recreation – parks – other	36 158 02	-	-	-
Rail Trail	1 607 95	-	-	-
Other functions:				
Downtown Development Authority	-	15 835 00	-	-
Insurance	125 564 13	-	-	-
Hospitalization	222 526 24	-	-	-
Capital outlay	61 004 03	23 297 50	1 047 583 21	-
Debt service	-	-	-	67 034 31
Total expenditures	<u>4 136 157 55</u>	<u>39 132 50</u>	<u>1 047 583 21</u>	<u>363 639 16</u>
Excess (deficiency) of revenues over expenditures	<u>175 362 53</u>	<u>99 985 44</u>	<u>(1 000 669 18)</u>	<u>42 937 44</u>
Other financing sources (uses):				
Bond proceeds	-	-	860 000 00	-
Operating transfers in	-	-	-	125 111 39
Operating transfers out	-	(125 111 39)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(125 111 39)</u>	<u>860 000 00</u>	<u>125 111 39</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	175 362 53	(25 125 95)	(140 669 18)	168 048 83
Fund balances, January 1	<u>1 051 735 00</u>	<u>264 929 26</u>	<u>968 121 70</u>	<u>89 881 28</u>
Fund Balances, December 31	<u>1 227 097 53</u>	<u>239 803 31</u>	<u>827 452 52</u>	<u>257 930 11</u>

See accompanying notes and accountant's report.

Total

114 549 81  
36 158 02  
1 607 95

15 835 00  
125 564 13  
222 526 24  
1 131 884 74  
67 034 31

5 586 512 42

(682 383 77)

860 000 00  
125 111 39  
(125 111 39)  
860 000 00

177 616 23

2 374 667 24

2 552 283 47



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended December 31, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	177 616 23
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(142 391 72)
Capital Outlay	1 131 884 74
Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.	
Bond proceeds	(860 000 00)
Accrued compensated absences	(3 220 60)
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	30 000 00
Bonds payable	
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>333 888 65</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Hampton, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Hampton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General and Special Revenue Funds

The General Fund, the Road Fund, the Downtown Development Authority Fund and the Building Department Fund, receive and account for the monies collected to provide the general governmental services of the Township. The General Fund is used to account for all transactions not properly accounted for in any other fund. The Road Fund accounts for property taxes levied for the Township road maintenance. The Downtown Development Authority is a separate component unit that is an integral part of the Charter Township of Hampton and it is therefore reported under the blending method as a special revenue fund that was established pursuant to Act 197 of the Public Acts of 1975, to promote economic growth within the Township. The Building Department Fund accounts for building permits and the related expenses.

Debt Service Fund

The General Obligation Limited Tax Bond Debt Service Fund was established to collect revenues to meet the payments of the debt. Amounts are levied each year in sufficient amounts to meet the required payments and are deposited in the fund as collected. Subsequently, the principal and interest payments are made when due. Interest earned on temporary investment of these monies is retained within the fund.

Capital Projects Fund

The General Obligation Limited Tax Bond Construction Fund was established to account for the bond proceeds used for project construction.

Agency Funds

The Current Tax Collection Fund and the Agency Fund have been established to account for monies which are held by the Township as agent for other governmental entities, funds or individuals. The Current Tax Collection Fund receives tax collections and disburses the amount collected to the proper fund or governmental entity. The Agency Fund receives delinquent property taxes and mobile home court fees and disburses these to the proper fund or governmental entity. These funds do not have revenues, expenditures or fund balances because by their nature their assets always equal their liabilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have been provided.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2006 tax roll millage rate was 5.65 mills, and the taxable value was \$443,301,732.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-50 years
Vehicles and equipment	3-25 years
Infrastructure	20 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Township's governmental funds is recorded as an expenditure and liability in the respective funds. The estimated long-term portion of the liability for vacation and sick leave benefits is recorded as an expense and a non-current liability in the government wide statements. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Township provides health care benefits to retirees in accordance with labor contracts. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. These benefits are paid from the General Fund and were \$222,526.24 during the year ended December 31, 2007.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated seven banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1,256,378.91</u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	581 235 83
Uninsured and Uncollateralized	<u>677 299 15</u>
Total Deposits	<u>1 258 534 98</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Non-risk-Categorized: Financial Institution Pooled Funds				<u>2 558 887 75</u>
Total Investments				<u>2 558 887 75</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
<u>Governmental Activities:</u>				
Land and improvements	1 283 195 20	-	-	1 283 195 20
Buildings and improvements	974 162 00	-	-	974 162 00
Vehicles and equipment	2 564 057 06	61 004 03	(17 404 00)	2 607 657 09
Infrastructure	594 135 55	1 070 880 71	-	1 665 016 26
 Total	 5 415 549 81	 1 131 884 74	 (17 404 00)	 6 530 030 55
Accumulated Depreciation	(2 779 293 15)	(142 391 72)	17 404 00	(2 904 280 87)
Net Capital Assets	<u>2 636 256 66</u>	<u>989 493 02</u>	<u>-</u>	<u>3 625 749 68</u>

**Note 5 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 517 565 00	Building	153 419 48
		Agency	4 004 10
		Current Tax Collection	2 360 141 42
	<u>2 517 565 00</u>		<u>2 517 565 00</u>
Downtown Development Authority	100 349 42	Current Tax Collection	100 249 42
		G.O. Limited Tax Bond Construction	100 00
	<u>100 349 42</u>		<u>100 349 42</u>
Road	<u>293 550 29</u>	Current Tax Collection	<u>293 550 29</u>
G.O. Limited Tax Bond Debt Service	<u>2 084 07</u>	G.O. Limited Tax Bond Construction	<u>2 084 07</u>
Total	<u>2 913 548 78</u>	Total	<u>2 913 548 78</u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/07</u>
2006 General Obligation Limited Tax Bonds	975 000 00	-	30 000 00	945 000 00
2007 General Obligation Limited Tax Bonds	-	860 000 00	-	860 000 00
Accumulated vacation and sick pay	<u>174 475 70</u>	<u>3 220 60</u>	<u>-</u>	<u>177 696 30</u>
Total	<u>1 149 475 70</u>	<u>863 220 60</u>	<u>30 000 00</u>	<u>1 982 696 30</u>

Note 7 – 2006 General Obligation Limited Tax Bonds

On December 20, 2007, the Township sold \$975,000.00 of its bonds to provide funds to pay a portion of the cost of certain capital improvements within the downtown area of the township, including the relocation of utility lines and related utility apparatus and equipment and the acquisition and construction of streetscape improvements, including sidewalks, together with related improvements and appurtenances relating thereto and to pay costs incidental to the issuance of the bonds.

The bond principal interest is payable from the general funds of the Township, and the Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for the payment thereof, subject to applicable constitutional, statutory and charter tax rate limitations.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**Note 7 – 2006 General Obligation Limited Tax Bonds (continued)**

As of December 31, 2007, the principal balance outstanding was \$945,000.00 and it is payable as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
5/1/08			\$19 143 75	\$19 143 75
11/1/08	\$30 000 00	4.000%	19 143 75	49 143 75
5/1/09			18 543 75	18 543 75
11/1/09	35 000 00	4.000	18 543 75	53 543 75
5/1/10			17 843 75	17 843 75
11/1/10	35 000 00	4.000	17 843 75	52 843 75
5/1/11			17 143 75	17 143 75
11/1/11	35 000 00	4.000	17 143 75	52 143 75
5/1/12			16 443 75	16 443 75
11/1/12	40 000 00	4.000	16 443 75	56 443 75
5/1/13			15 643 75	15 643 75
11/1/13	40 000 00	4.000	15 643 75	55 643 75
5/1/14			14 843 75	14 843 75
11/1/14	40 000 00	4.000	14 843 75	54 843 75
5/1/15			14 043 75	14 043 75
11/1/15	45 000 00	4.000	14 043 75	59 043 75
5/1/16			13 143 75	13 143 75
11/1/16	45 000 00	4.000	13 143 75	58 143 75
5/1/17			12 243 75	12 243 75
11/1/17	50 000 00	4.000	12 243 75	62 243 75
5/1/18			11 243 75	11 243 75
11/1/18	50 000 00	4.000	11 243 75	61 243 75
5/1/19			10 243 75	10 243 75
11/1/19	55 000 00	4.000	10 243 75	65 243 75
5/1/20			9 143 75	9 143 75
11/1/20	55 000 00	4.000	9 143 75	64 143 75
5/1/21			8 043 75	8 043 75
11/1/21	60 000 00	4.125	8 043 75	68 043 75
5/1/22			6 806 25	6 806 25
11/1/22	60 000 00	4.125	6 806 25	66 806 25
5/1/23			5 568 75	5 568 75
11/1/23	65 000 00	4.125	5 568 75	70 568 75
5/1/24			4 228 13	4 228 13
11/1/24	65 000 00	4.125	4 228 13	69 228 13
5/1/25			2 887 50	2 887 50
11/1/25	70 000 00	4.125	2 887 50	72 887 50
5/1/26			1 443 75	1 443 75
11/1/26	70 000 00	4.125	1 443 75	71 443 75
<b>Totals</b>	<u><b>\$945 000 00</b></u>		<u><b>\$437 293 76</b></u>	<u><b>\$1 382 293 76</b></u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**Note 8 – 2007 General Obligation Limited Tax Bonds**

On August 8, 2007, the Township sold \$860,000.00 of its bonds to provide funds to pay a portion of the cost of certain capital improvements within the downtown area of the township, including the relocation of utility lines and related utility apparatus and equipment and the acquisition and construction of streetscape improvements, including sidewalks, together with related improvements and appurtenances relating thereto and to pay costs incidental to the issuance of the bonds.

The bond principal interest is payable from the general funds of the Township, and the Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for the payment thereof, subject to applicable constitutional, statutory, and charter tax rate limitations.

As of December 31, 2007, the principal balance outstanding was \$860,000.00 and it is payable as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
5/1/08			\$30 135 00	\$30 135 00
11/1/08			20 090 00	20 090 00
5/1/09			20 090 00	20 090 00
11/1/09			20 090 00	20 090 00
5/1/10			20 090 00	20 090 00
11/1/10			20 090 00	20 090 00
5/1/11			20 090 00	20 090 00
11/1/11	\$35 000 00	4.6%	20 090 00	55 090 00
5/1/12			19 285 00	19 285 00
11/1/12	35 000 00	4.6	19 285 00	54 285 00
5/1/13			18 480 00	18 480 00
11/1/13	40 000 00	4.6	18 480 00	58 480 00
5/1/14			17 560 00	17 560 00
11/1/14	40 000 00	4.6	17 560 00	57 560 00
5/1/15			16 640 00	16 640 00
11/1/15	45 000 00	4.6	16 640 00	61 640 00
5/1/16			15 605 00	15 605 00
11/1/16	45 000 00	4.6	15 605 00	60 605 00
5/1/17			14 570 00	14 570 00
11/1/17	50 000 00	4.7	14 570 00	64 570 00
5/1/18			13 395 00	13 395 00
11/1/18	50 000 00	4.7	13 395 00	63 395 00
5/1/19			12 220 00	12 220 00
11/1/19	55 000 00	4.7	12 220 00	67 220 00
5/1/20			10 927 50	10 927 50
11/1/20	55 000 00	4.7	10 927 50	65 927 50
5/1/21			9 635 00	9 635 00
11/1/21	60 000 00	4.7	9 635 00	69 635 00
5/1/22			8 225 00	8 225 00
11/1/22	65 000 00	4.7	8 225 00	73 225 00
5/1/23			6 697 50	6 697 50
11/1/23	65 000 00	4.7	6 697 50	71 697 50
5/1/24			5 170 00	5 170 00
11/1/24	70 000 00	4.7	5 170 00	75 170 00
5/1/25			3 525 00	3 525 00
11/1/25	75 000 00	4.7	3 525 00	78 525 00
5/1/26			1 762 50	1 762 50
11/1/26	<u>75 000 00</u>	4.125	<u>1 762 50</u>	<u>76 762 50</u>
Totals	<u>\$860 000 00</u>		<u>\$518 160 00</u>	<u>\$1 378 160 00</u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Retirement Plan

The Township has a defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township's current year covered payroll was \$1,649,173.89 and its total current year payroll for all employees was \$1,919,760.03. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10% to 15% of each employee's compensation and the employee can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirement for the year ended December 31, 2007, was \$247,376.30 which was entirely paid during the year. This contribution represents 15.0% of the current year covered payroll. Employee contributions for the year ended December 31, 2007, were \$114,748.11 which was entirely paid during the year. This represents 6.96% of the current year covered payroll.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Reserved Fund Balances

The fund balance in the Debt Service Fund includes a reservation for the retirement of long-term debt.

The fund balance in the Construction Fund includes a reservation for future construction.

Note 13 – Building Permits

As of December 31, 2007, the Township had building permit revenues of \$109,069.46 and building permit expenses of \$57,588.23.

Note 14 – Restatements

An adjustment was made to restate the net assets of governmental activities at January 1, 2007 as follows:

Net Assets – December 31, 2006	\$3 267 312 65
Prior Period Restatement:	
Infrastructure – in progress	<u>594 135 55</u>
Adjusted Net Assets – January 1, 2007	<u><u>\$3 861 448 20</u></u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	2 398 000 00	2 398 000 00	2 409 270 14	11 270 14
Licenses and permits	89 100 00	89 100 00	96 243 37	7 143 37
Federal grant	-	-	2 717 21	2 717 21
State revenue sharing	755 587 00	763 587 00	744 613 41	(18 973 59)
Charges for services	334 261 00	334 261 00	792 833 52	458 572 52
Interest	74 000 00	74 000 00	151 625 59	77 625 59
Miscellaneous	118 435 00	118 435 00	114 216 84	(4 218 16)
Total revenues	3 769 383 00	3 777 383 00	4 311 520 08	534 137 08
Expenditures:				
Legislative:				
Township Board	90 345 00	90 345 00	79 415 56	(10 929 44)
General government:				
Supervisor	67 720 00	67 720 00	65 671 19	(2 048 81)
Elections	11 700 00	11 700 00	4 341 46	(7 358 54)
Accounting department	182 975 00	182 975 00	166 656 18	(16 318 82)
Assessor	155 956 00	155 956 00	150 470 36	(5 485 64)
Attorney	35 000 00	35 000 00	20 137 53	(14 862 47)
Consultant	20 000 00	20 000 00	9 908 44	(10 091 56)
Clerk	71 990 00	71 990 00	69 279 62	(2 710 38)
Geographic information system	11 600 00	11 600 00	3 479 80	(8 120 20)
Board of Review	2 790 00	2 790 00	1 414 24	(1 375 76)
Treasurer	82 410 00	82 410 00	78 315 41	(4 094 59)
Township hall and grounds	46 967 00	38 067 00	25 930 34	(12 136 66)
Citizens community building	26 390 00	26 390 00	17 452 06	(8 937 94)
Public relations	6 500 00	6 500 00	5 464 99	(1 035 01)
Public safety:				
Police department	958 810 00	964 509 00	932 164 67	(32 344 33)
Fire department	785 563 00	785 563 00	748 754 42	(36 808 58)
Planning Commission	14 585 00	14 585 00	7 637 81	(6 947 19)
Board of Appeals	7 915 00	7 915 00	2 877 51	(5 037 49)
Public works:				
Department of Public Works	622 015 00	629 515 00	608 666 74	(20 848 26)
Drains	22 500 00	22 500 00	1 260 23	(21 239 77)
Highways and streets	30 000 00	30 000 00	10 644 57	(19 355 43)
Engineering	20 000 00	20 000 00	-	(20 000 00)
Street lighting	120 000 00	120 000 00	100 941 66	(19 058 34)
Sanitation	121 007 00	127 007 00	121 685 01	(5 321 99)
Sewer	145 061 00	163 961 00	162 209 15	(1 751 85)
Water	239 172 00	239 172 00	179 968 42	(59 203 58)
Recreation and culture:				
Recreation – parks	114 976 00	114 976 00	114 549 81	(426 19)
Recreation – parks – other	44 100 00	44 100 00	36 158 02	(7 941 98)
Rail Trail	3 650 00	3 650 00	1 607 95	(2 042 05)

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures: (continued)				
Other functions:				
Insurance	130 000 00	130 000 00	125 564 13	(4 435 87)
Hospitalization	230 100 00	230 100 00	222 526 24	(7 573 76)
Contingency	195 957 00	303 821 00	-	(303 821 00)
Capital outlay	<u>51 000 00</u>	<u>74 301 00</u>	<u>61 004 03</u>	<u>(13 296 97)</u>
Total expenditures	<u>4 668 754 00</u>	<u>4 829 118 00</u>	<u>4 136 157 55</u>	<u>(692 960 45)</u>
Excess (deficiency) of revenues over expenditures	(899 371 00)	(1 051 735 00)	175 362 53	1 227 097 53
Fund balance, January 1	<u>899 371 00</u>	<u>1 051 735 00</u>	<u>1 051 735 00</u>	<u>-</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>1 227 097 53</u>	<u>1 227 097 53</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT AUTHORITY FUND  
Year ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	126 464 00	126 464 00	125 482 14	(981 86)
Interest	<u>1 000 00</u>	<u>1 000 00</u>	<u>13 635 80</u>	<u>12 635 80</u>
Total revenues	<u>127 464 00</u>	<u>127 464 00</u>	<u>139 117 94</u>	<u>11 653 94</u>
Expenditures:				
Other functions:				
Downtown Development Authority	18 257 00	16 257 00	15 835 00	(422 00)
Capital outlay	<u>15 000 00</u>	<u>25 230 00</u>	<u>23 297 50</u>	<u>(1 932 50)</u>
Total expenditures	<u>33 257 00</u>	<u>41 487 00</u>	<u>39 132 50</u>	<u>(2 354 50)</u>
Excess (deficiency) of revenues over expenditures	<u>94 207 00</u>	<u>85 977 00</u>	<u>99 985 44</u>	<u>14 008 44</u>
Other financing sources (uses):				
Operating transfers out	<u>(125 219 00)</u>	<u>(125 219 00)</u>	<u>(125 111 39)</u>	<u>107 61</u>
Total other financing sources (uses)	<u>(125 219 00)</u>	<u>(125 219 00)</u>	<u>(125 111 39)</u>	<u>107 61</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(31 012 00)	(39 242 00)	(25 125 95)	14 116 05
Fund balance, January 1	<u>326 012 00</u>	<u>326 012 00</u>	<u>264 929 26</u>	<u>(61 082 74)</u>
Fund Balance, December 31	<u>295 000 00</u>	<u>286 770 00</u>	<u>239 803 31</u>	<u>(46 966 69)</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND REVENUES BY DETAILED ACCOUNT  
Year ended December 31, 2007

Revenues:

Property taxes:

Current year's tax levy	2 190 285 48
Administration fees	205 729 88
P.I.L.O.T.	13 254 78
	<u>2 409 270 14</u>

Licenses and permits:

Mobile home court fees	2 349 50
Cable T.V. fees	74 291 50
Ordinance fees	15 352 37
Other permits	4 250 00
	<u>96 243 37</u>

Federal grant

2 717 21

State revenue sharing:

Revenue sharing	706 030 26
State grant	32 796 60
Liquor license fees	5 786 55
	<u>744 613 41</u>

Charges for services:

Frontage and tap on fees	58 900 00
Service charges on billings	110 957 80
Sewer and Water Reserve	426 448 50
Penalties – Water and Sewer	20 124 51
Sales – bulk water	1 650 03
Charges for services – sewer	128 939 68
Charges for services – miscellaneous	24 888 00
Charges for other units	20 925 00
	<u>792 833 52</u>

Interest

151 625 59

Miscellaneous:

Hall rental	4 300 00
Park	80 368 50
Duplicating copies	2 737 98
Royalties	3 731 65
Other	23 078 71
	<u>114 216 84</u>

Total Revenues

4 311 520 08

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2007

Township Board:

Trustee salaries	28 354 40
Social security tax	2 169 08
Group health insurance	16 400 36
Group life insurance	469 16
Retirement fund contribution	4 253 24
Miscellaneous	2 233 38
Audit fees	15 408 00
Memberships and dues	5 729 96
Printing and publishing	2 410 54
Travel	1 987 44
	<hr/>
	79 415 56

Supervisor:

Salaries	50 214 89
Social security tax	3 841 76
Group health insurance	1 500 00
Sickness and accident insurance	48 40
Memberships and dues	359 00
Group life insurance	120 17
Retirement fund contribution	7 142 21
Travel and education	2 444 76
	<hr/>
	65 671 19

Elections:

Salaries	1 702 88
Office supplies	2 638 58
	<hr/>
	4 341 46

Accounting department:

Salaries	86 657 62
Social security tax	6 789 56
Unemployment insurance	315 00
Sick and accident insurance	1 120 55
Group health insurance	28 279 04
Group life insurance	281 04
Retirement fund contribution	13 411 06
Travel	163 44
Office supplies	13 125 28
Telephone	3 162 62
Contracted services	12 096 44
Miscellaneous	1 254 53
	<hr/>
	166 656 18

Assessor:

Salaries	99 285 39
Social security tax	7 595 11
Unemployment insurance	189 00
Group health insurance	14 921 72
Sickness and accident insurance	1 094 60
Group life insurance	160 90
Retirement fund contribution	14 572 71
Office supplies	492 24

See accountant's report.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2007

Assessor: (continued)	
Contracted services	2 965 00
Education	245 00
Miscellaneous	514 70
Memberships and dues	2 478 63
Tax roll preparation	5 955 36
	<u>150 470 36</u>
Attorney:	
Legal fees	<u>20 137 53</u>
Consultant:	
Professional fees	<u>9 908 44</u>
Clerk:	
Salaries	50 163 64
Social security tax	3 804 29
Group health insurance	6 622 50
Sickness and accident insurance	50 99
Group life insurance	100 80
Retirement fund contribution	7 506 83
Travel and education	1 005 57
Memberships and dues	25 00
	<u>69 279 62</u>
Geographic information system:	
Supplies	3 192 95
Contracted services	286 85
	<u>3 479 80</u>
Board of Review:	
Fees and per diem	900 00
Social security tax	68 86
Miscellaneous	445 38
	<u>1 414 24</u>
Treasurer:	
Salaries	50 164 89
Social security tax	3 835 66
Group health insurance	14 900 36
Sickness and accident insurance	48 40
Group life insurance	95 54
Retirement fund contribution	7 142 21
Memberships and dues	60 00
Travel and education	2 068 35
	<u>78 315 41</u>
Township hall and grounds:	
Salaries	8 350 31
Social security tax	638 79
Unemployment insurance	126 01
Operating supplies	1 810 38
Equipment maintenance	746 86
Utilities	10 628 47
Building maintenance	3 610 62
Miscellaneous	18 90
	<u>25 930 34</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2007

Citizens community building:	7 838 49
Salaries	599 53
Social security tax	2 054 16
Building maintenance	916 04
Supplies	220 00
Equipment maintenance	5 823 84
Utilities	<u>17 452 06</u>
Public relations:	2 500 00
Community promotion	2 964 99
Miscellaneous	<u>5 464 99</u>
Police department:	553 031 04
Salaries	42 230 91
Social security tax	1 417 50
Unemployment insurance	144 691 61
Group health insurance	6 208 77
Sickness and accident insurance	991 38
Group life insurance	75 416 00
Retirement fund contribution	7 184 71
Education	18 299 66
Operating supplies	9 751 84
Contracted services	6 798 63
Uniforms	2 978 48
Office supplies	22 654 44
Fuel	5 900 50
Auto parts and maintenance	5 184 92
Equipment maintenance	175 00
Memberships and dues	3 978 89
Telephone	14 064 85
Legal	5 640 42
Utilities	1 405 85
Building maintenance	4 159 27
Miscellaneous	<u>932 164 67</u>
Fire department:	446 116 03
Salaries – regular	54 293 01
Salaries – part-time	38 285 38
Social security tax	1 008 00
Unemployment insurance	94 240 65
Group health insurance	4 188 51
Sickness and accident insurance	1 529 86
Group life insurance	54 193 94
Retirement fund contribution	4 331 22
Education	3 726 43
Uniforms	5 205 89
Supplies	10 024 55
Operating supplies	6 068 43
Fuel	5 173 65
Equipment maintenance	2 734 49
Contracted services	

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended December 31, 2007

Fire department: (continued)	
Memberships and dues	750 00
Telephone	3 830 57
Travel	1 271 05
Utilities	8 618 70
Building maintenance	985 64
Physicals	1 359 00
Miscellaneous	819 42
	<u>748 754 42</u>
Planning Commission:	
Fees and per diem	1 400 00
Social security tax	107 20
Office supplies	504 48
Memberships and dues	362 50
Legal fees	4 974 63
Printing and publishing	289 00
	<u>7 637 81</u>
Board of Appeals:	
Fees and per diem	910 00
Social security tax	69 68
Office supplies	78 81
Legal fees	996 50
Memberships and dues	362 50
Travel	36 27
Printing and publishing	423 75
	<u>2 877 51</u>
Department of Public Works:	
Salaries	343 070 44
Social security tax	26 298 46
Unemployment insurance	976 50
Group health insurance	77 346 17
Sickness and accident insurance	3 940 68
Group life insurance	877 70
Retirement fund contribution	47 733 24
Supplies	18 849 31
Education	961 78
Fuel	40 284 22
Uniforms	698 98
Contracted services	8 611 82
Telephone	1 158 83
Utilities	10 792 77
Building maintenance	3 224 49
Equipment maintenance	17 227 84
Dike maintenance	2 557 63
Miscellaneous	4 055 88
	<u>608 666 74</u>
Drains:	
Salaries	865 24
Social security tax	66 16
Repairs and maintenance	311 51
Supplies	17 32
	<u>1 260 23</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended December 31, 2007

Highways and streets:	
Road maintenance	<u>10 644 57</u>
Street lighting:	
Utilities	<u>100 941 66</u>
Sanitation:	
Salaries	15 489 55
Social security tax	1 163 96
Unemployment insurance	125 99
Group health insurance	13 832 14
Sickness and accident insurance	178 06
Life insurance	120 17
Supplies	169 10
Contracted services	84 344 00
Telephone	290 07
Utilities	922 56
Repairs and maintenance	4 885 76
Miscellaneous	<u>163 65</u>
	<u>121 685 01</u>
Sewer:	
Wages	53 200 81
Social security tax	4 070 10
Group health insurance	24 897 70
Sickness and accident insurance	711 18
Unemployment insurance	189 00
Life insurance	180 27
Retirement fund contribution	7 356 83
Supplies	11 435 13
Contracted services	13 162 72
Utilities	36 619 68
Tap expense	2 950 00
Main maintenance	<u>7 435 73</u>
	<u>162 209 15</u>
Water:	
Wages	63 184 31
Social security tax	4 830 01
Group health insurance	22 131 36
Sickness and accident insurance	549 30
Unemployment insurance	189 00
Life insurance	170 35
Retirement fund contribution	8 648 03
Miscellaneous	5 722 39
Supplies	10 912 92
Contracted services	61 323 52
Utilities	<u>2 307 23</u>
	<u>179 968 42</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2007

Recreation – parks:	
Salaries	5 892 00
Social security tax	450 82
Unemployment insurance	95 67
Supplies	58 162 48
Repairs and maintenances	21 221 48
Contracted services	1 892 03
Utilities	19 813 01
Miscellaneous	<u>7 022 32</u>
	<u>114 549 81</u>
Recreation – parks – other:	
Supplies	9 649 19
Utilities	1 532 32
Contracted services	1 950 00
Repairs and maintenance	<u>23 026 51</u>
	<u>36 158 02</u>
Rail Trail:	
Miscellaneous	<u>1 607 95</u>
Insurance	<u>125 564 13</u>
Hospitalization	<u>222 526 24</u>
Capital outlay	<u>61 004 03</u>
Total Expenditures	<u>4 136 157 55</u>

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS  
December 31, 2007

	<u>Road</u>	<u>Building Department</u>	<u>G.O.L.T. Bond Debt Service</u>	<u>Total</u>
<u>Assets</u>				
Investments	135 409 87	213 163 38	60 692 27	409 265 52
Due from other funds	<u>293 550 29</u>	<u>-</u>	<u>2 084 07</u>	<u>295 634 36</u>
Total Assets	<u>428 960 16</u>	<u>213 163 38</u>	<u>62 776 34</u>	<u>704 899 88</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	153 419 48	-	153 419 48
Deferred revenue – property taxes	<u>293 550 29</u>	<u>-</u>	<u>-</u>	<u>293 550 29</u>
Total liabilities	<u>293 550 29</u>	<u>153 419 48</u>	<u>-</u>	<u>446 969 77</u>
Fund balances:				
Reserved for debt service	-	-	62 776 34	62 776 34
Unreserved:				
Undesignated	<u>135 409 87</u>	<u>59 743 90</u>	<u>-</u>	<u>195 153 77</u>
Total fund balances	<u>135 409 87</u>	<u>59 743 90</u>	<u>62 776 34</u>	<u>257 930 11</u>
Total Liabilities and Fund Balances	<u>428 960 16</u>	<u>213 163 38</u>	<u>62 776 34</u>	<u>704 899 88</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL NONMAJOR FUNDS  
Year ended December 31, 2007

	<u>Road</u>	<u>Building Department</u>	<u>G.O.L.T Bond Debt Service</u>	<u>Total</u>
Revenues:				
Property taxes	286 023 30	-	-	286 023 30
Licenses and permits	-	101 847 60	2 636 94	101 847 60
Interest	<u>8 846 90</u>	<u>7 221 86</u>	<u>-</u>	<u>18 705 70</u>
Total revenues	<u>294 870 20</u>	<u>109 069 46</u>	<u>2 636 94</u>	<u>406 576 60</u>
Expenditures:				
Public safety:				
Building inspection	-	57 588 23	-	57 588 23
Public works:				
Highways and streets	239 016 62	-	-	239 016 62
Debt service	<u>-</u>	<u>-</u>	<u>67 034 31</u>	<u>67 034 31</u>
Total expenditures	<u>239 016 62</u>	<u>57 588 23</u>	<u>67 034 31</u>	<u>363 639 16</u>
Excess (deficiency) of revenues over expenditures	<u>55 853 58</u>	<u>51 481 23</u>	<u>(64 397 37)</u>	<u>42 937 44</u>
Other financing sources (uses):				
Operating transfers in	-	-	125 111 39	125 111 39
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>125 111 39</u>	<u>125 111 39</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	55 853 58	51 481 23	60 714 02	168 048 83
Fund balances, January 1	<u>79 556 29</u>	<u>8 262 67</u>	<u>2 062 32</u>	<u>89 881 28</u>
Fund Balances, December 31	<u>135 409 87</u>	<u>59 743 90</u>	<u>62 776 34</u>	<u>257 930 11</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING BALANCE SHEET – ALL AGENCY FUNDS

December 31, 2007

	<u>Current Tax Collection Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	-	4 004 10	4 004 10
Investments	729 046 21	-	729 046 21
Taxes receivable	<u>4 742 132 81</u>	<u>-</u>	<u>4 742 132 81</u>
Total Assets	<u>5 471 179 02</u>	<u>4 004 10</u>	<u>5 475 183 12</u>
<u>Liabilities</u>			
Liabilities:			
Due to General Fund	2 360 141 42	4 004 10	2 364 145 52
Due to Downtown Development Authority Fund	100 249 42	-	100 249 42
Due to Road Fund	293 550 29	-	293 550 29
Due to Bay County	2 139 825 40	-	2 139 825 40
Due to Bay Metro	337 626 96	-	337 626 96
Due to Delta College	29 680 38	-	29 680 38
Due to Bay Arenac Intermediate School District	80 667 24	-	80 667 24
Due to Essexville-Hampton School District	58 169 09	-	58 169 09
Due to Bay City School District	70 601 70	-	70 601 70
Due to others	<u>667 12</u>	<u>-</u>	<u>667 12</u>
Total Liabilities	<u>5 471 179 02</u>	<u>4 004 10</u>	<u>5 475 183 12</u>

See accountant's report.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
Year ended December 31, 2007

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank and investments	1 156 638 97	19 792 755 19	20 220 347 95	729 046 21
Taxes receivable	4 394 937 65	20 313 540 69	19 966 345 53	4 742 132 81
Total Assets	<u>5 551 576 62</u>	<u>40 106 295 88</u>	<u>40 186 693 48</u>	<u>5 471 179 02</u>
<u>Liabilities</u>				
Due to other units	2 905 631 32	16 949 880 75	17 395 121 23	2 460 390 84
Due to other funds	2 645 945 30	3 190 069 50	2 825 226 62	3 010 788 18
Total Liabilities	<u>5 551 576 62</u>	<u>20 139 950 25</u>	<u>20 220 347 85</u>	<u>5 471 179 02</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>4 000 10</u>	<u>162 491 91</u>	<u>162 487 91</u>	<u>4 004 10</u>
<u>Liabilities</u>				
Due to other units	-	145 160 51	145 160 51	-
Due to other funds	4 000 10	17 331 40	17 327 40	4 004 10
Total Liabilities	<u>4 000 10</u>	<u>162 491 91</u>	<u>162 487 91</u>	<u>4 004 10</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank and investments	1 160 639 07	19 955 247 10	20 382 835 86	733 050 31
Taxes receivable	4 394 937 65	20 313 540 69	19 966 345 53	4 742 132 81
Total Assets	<u>5 555 576 72</u>	<u>40 268 787 79</u>	<u>40 349 181 39</u>	<u>5 475 183 12</u>
<u>Liabilities</u>				
Due to other units	2 905 631 32	17 095 041 26	17 540 281 74	2 460 390 84
Due to other funds	2 649 945 40	3 207 400 90	2 842 554 02	3 014 792 28
Total Liabilities	<u>5 555 576 72</u>	<u>20 302 442 16</u>	<u>20 382 835 76</u>	<u>5 475 183 12</u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2007

Cash in bank and investments – beginning of year	<u>1 156 638 97</u>
Cash receipts:	
Tax collections:	
2006 tax roll	4 166 277 24
2007 tax roll	15 571 407 88
Interest income	<u>55 070 07</u>
Total cash receipts	<u>19 792 755 19</u>
Total beginning balance and cash receipts	<u>20 949 394 16</u>
Cash disbursements:	
Township General Fund	2 413 895 39
Township Downtown Development Authority Fund	133 216 18
Township Road Fund	278 115 05
Bay County	7 453 790 68
Bay Metro	319 863 50
Delta College	908 688 51
Bay Arenac Intermediate School District	2 226 150 49
Bay City School District	975 522 02
Essexville-Hampton School District	5 500 822 41
Refunds of overpayments	<u>10 283 72</u>
Total cash disbursements	<u>20 220 347 95</u>
Cash in Bank and Investments – End of Year	<u><u>729 046 21</u></u>

See accountant's report.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

AGENCY FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2007

Cash in bank – beginning of year	<u>4 000 10</u>
Cash receipts:	
Mobile home court fees	14 101 00
P.I.L.O.T.	<u>148 390 91</u>
Total cash receipts	<u>162 491 91</u>
Total beginning balance and cash receipts	<u>166 492 01</u>
Cash disbursements:	
Township General Fund	15 604 28
Township Road Fund	1 723 12
Bay County	35 506 37
Bay City School District	6 229 74
Bay Metro	1 981 85
Bay Arenac Intermediate School District	13 051 42
Delta College	5 415 09
State of Michigan	<u>82 976 04</u>
Total cash disbursements	<u>162 487 91</u>
Cash in Bank – End of Year	<u><u>4 004 10</u></u>

See accountant's report.

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

January 25, 2008

To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton for the year ended December 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Charter Township of Hampton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants